



Budget Basics



INTRODUCTION

This Part of the *2003-2004 Biennial Budget* presents the basics on how the Budget was developed.

The sources and uses of funds - that is, where the City receives its funding and how funding is allocated - are described.

The various policies that shaped the Budget - that is, the background or basis for the decisions that were made in arriving at a budget - are described.

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BIENNIAL BUDGET

In Cincinnati, the City Council approves a Biennial Budget which covers a two-year period. The primary advantage to a Biennial Budget is that the multi-year horizon provides an opportunity to enhance planning for City programs and services. With a view toward the future, issues can be anticipated and resolved before they become crises. Programs can be phased in or out more readily and fluctuations in resources can be better managed. Another advantage of the Biennial Budget is the saving of time and effort by the City staff and the City Council in the second, or "off" year of the biennial cycle.

Although the City Council approves a multi-year Budget, the State of Ohio requires cities to appropriate funds annually. For the first year of the biennium the budget is "appropriated" by the City Council and the budget for the second year of the biennium is "approved" by the City Council. Subsequently, for the second year of the biennium, the City Council must formally appropriate the approved 2004 Budget Update.

Operating Budget and Capital Budget

The Operating Budget covers the day-to-day delivery of City services. It is similar to a family budget for daily needs, such as rent and utilities. Operating expenditures cover the hours worked by City employees and the supplies they use to deliver services such as police officer patrols, the filling of potholes, trash collection, and operating a 24-hour water treatment system.

The Capital Budget is for the improvement, construction, or purchase of City assets which cost \$10,000 or more and last at least 5 years such as City buildings or fire pumper trucks. Similar to a family which saves and borrows money to buy a house, the City uses a combination of cash and borrowed funds to invest in assets such as health clinic facilities which serve citizens now and in the future. The new Mt. Washington Recreation Center is an example of how the two budgets interrelate. It was built with Capital Budget funds but the staff and supplies needed to operate the Center are funded from the Operating Budget.

Infrastructure is a key Capital and Operating Budget priority for Cincinnati. It represents the City's physical assets - streets, bridges, parks, recreation facilities, water system, sewers, and City-owned buildings. In the late 1980's, the poor condition of the infrastructure in many older, large cities was recognized as a crisis across the nation. In Cincinnati, an independent citizen's commission was formed to prepare an Infrastructure Improvement Program which was approved by the City Council in 1987. In the following spring the voters approved a 0.1% income tax to fund infrastructure improvements with a condition attached - if for any reason the City did not budget or spend sufficiently for infrastructure, the tax would expire. Therefore, the City has an "infrastructure mandate" to budget capital funds to replace structures and to budget operating funds for daily maintenance and repair of our infrastructure.

Consolidated Plan Budget

The City receives four formula grants from the U.S. Department of Housing and Urban Development (HUD) for community development and housing purposes. These four grants are incorporated into the Consolidated Plan, a combined planning and submission process for the Community Development Block Grant, the HOME Investment Partnerships Program, the Emergency Shelter Grant Program, and the Housing Opportunities for Persons with AIDS (HOPWA) Program. The Community Development Block Grant is a grant which is used for a wide range of programs or projects within a broad framework of eligible activities and includes operating funds for planning and administration. The HOME Program is a grant which can be used for acquisition, construction, and moderate or substantial rehabilitation of affordable housing for either renters or existing or new homeowners. The Emergency Shelter Grant Program (ESG) is a grant which funds both physical improvements and operating needs for agencies which assist the homeless. HOPWA funds housing and supportive services for persons living with AIDS and their families.



General Fund and Restricted Funds

Governments use fund accounting to keep different types of revenue and expenditures separate from each other depending upon the purpose of the fund. Each fund has a fund title and accounting code for reference purposes. The General Fund is just that - a fund that can be used for any general public purpose. This is the primary fund in the City operating budget and is used to deliver the basic municipal services such as police and fire protection, park maintenance, street repair, trash collection, and the operation of recreation centers and health clinics.

Restricted Funds, as the name implies, are restricted to a specific public purpose. The Water Works Fund is an example. The revenue that comes into the City from customers paying their water bills can only be used by the City to operate and repair existing or build new water facilities. The City could not use Water Works funds for other purposes like City parks maintenance or to purchase new solid waste collection trucks because expenditures are restricted to benefit only the water customers.

For a complete listing of General and Restricted Funds 2003 budget amounts by department, see page 165 in Part V, Financial Planning, of this document. Descriptions of fund types and account groups are summarized in the appendix.

Appropriated Fund Budgets and Non-Appropriated Funds

There are more than 100 funds in use by the City of Cincinnati which are controlled by enabling legislation setting the purpose and use of each fund. As an additional control, the City Council passes appropriation ordinances to approve the budgets for about 20 of the largest and most active funds. An appropriation is a legislated authorization to make limited expenditures based on projected revenues. Therefore, these appropriated fund budgets are explicitly approved by action of the City Council each year and can only be amended if the City Council approves ordinances for budget transfers, increases, or decreases. All of the other non-appropriated fund budgets have ongoing authorization for expenditures within resources by virtue of their enabling legislation.

The non-appropriated fund budgets can be administratively amended as needed without ordinances.

Basis of Budgeting

The Budget of the City of Cincinnati is prepared on a cash basis with the exception of certain accrued personnel services and employee benefit costs. The levels of appropriation control for each budgeted expenditure classification that may not be exceeded are the following: personnel services, non-personnel services, capital outlay, and debt service. Any revisions that alter the budgeted expenditures within a classification of any Division within a City Department must be approved by the City Council. Encumbrances, which are amounts of funding committed for the payment of goods or services ordered but not yet received, do not lapse at year-end. They are included as expenditures in the year for which the Budget is adopted.

SOURCES AND USES OF FUNDS

The sources and uses of funds relate to where the City gets its revenues or other resources to pay for the services the City provides. For example, the primary source of funding for the General Fund is City Income Taxes - the City receives 61.6% of its General Fund revenue from income taxes. The primary use of the City's General Fund resources is public safety (police and fire) services, which comprise 55.6% of the General Fund. The City's Restricted Fund sources may not be intermingled. For example, the Cincinnati Water Works (a Restricted Fund) revenues from water sales are restricted and may not be used to improve the Convention Center. However, General Fund revenues may be used for whatever general municipal purpose that the City Council designates. The sources and uses for each of the Budgets (Operating, Capital and Consolidated Plan) are presented in this part of the Budget document.



Operating Budget - Sources of Funds

General Fund

City Income Tax. The City Income Tax is a 2.1% locally levied tax applied to gross salaries, wages, and other personnel service compensation earned by residents both in and out of the City and to earnings of non-residents earned in the City. It also applies to net income of business organizations for business conducted in the City. The income tax is the largest single source of General Fund revenue.

The receipt of 1.55% Income Tax revenue over the fixed allocation to the General Fund is recognized as revenue in the Income Tax Permanent Improvement Fund at the end of the year. This amount is carried forward for subsequent year capital or operating needs.

State Shared Revenue. The two major types of revenue in this category are the estate tax and the Local Government Fund distribution from the State of Ohio. The Local Government Fund revenue estimate for 2003 and 2004 reflects the State Legislature's statutory percentages anticipated in the State's Biennial Budget.

Property Taxes. The General Fund 5.27 mills property tax rate applies to real property, public utilities property, and tangible property. The real property consists of residential, commercial, and industrial property. Real property experienced the last statutory sexennial reappraisal in 1999. Traditionally, property tax revenue fluctuates due to the statutorily required sexennial reappraisal and the intervening third year review and appeals which are granted to taxpayers. The property tax rate was reduced from 5.40 mills to 5.27 mills for 2003.

Investments. The investments of the City (excluding the City of Cincinnati's Retirement System) are comprised primarily of time deposits and other securities guaranteed by the United States Government or its agencies.

All Others. This category includes miscellaneous revenue and charges for services.

Revenue trends data for each major category can be found in the Financial Summaries section of this document beginning on page 175.

Restricted Funds

Restricted Funds, as the name implies, are restricted to a specific public purpose. Restricted Funds receive their revenues or resources primarily from their customers to whom they provide either goods or services. For example, the Cincinnati Water Works receives the majority of its revenues from the sale of water to its customers, while the Golf Fund receives its revenues from the greens fees its customers/golfers pay. Most Restricted Funds receive other revenues, such as investment earnings from their cash balances, and other incidental amounts. Part V, Financial Planning, of this Budget document discusses the various individual Restricted Funds' sources (and uses) on a fund by fund basis.

Operating Budget - Uses of Funds

In general, budgetary control for the use of a fund's resources is established for each appropriated fund for the following expenditure account classifications: personnel services, non-personnel services, capital outlay, and debt service. Any revisions of the appropriation level for any appropriated fund must be approved by the City Council.

General Fund and Its Uses

The General Fund is a fund that can be used for any general public purpose. This is the primary fund in the City Operating Budget and is used to deliver basic municipal services such as police and fire protection, park maintenance, street repair, trash collection, and the operation of recreation centers and health clinics. City employees' salaries (personnel services) are paid from the General Fund, as are supporting costs such as supplies (non-personnel services).



Non-Appropriated Restricted Funds and Their Uses

Non-appropriated Restricted Fund expenditures are authorized in the ordinances, which establish those funds. They are referred to as “non-appropriated” because these budgets are appropriated/approved by the City Council only once, at the time City Council adopts a fund’s initial budget or plan of expenditures – no individual annual appropriation ordinances are required. Non-appropriated funds have ongoing authorization for expenditures within realized resources by virtue of their enabling legislation. Their budgets are based on resources and are determined administratively without requiring the passage of annual appropriation ordinances. This category of operating funds is primarily comprised of grant funds such as the Health Department grants, Employment and Training Division grants, and Police Division grants, or single purpose funds.

Capital Budget - Sources of Funds

General Capital

City Income Tax. The component of the 2.1% Income Tax dedicated for General Capital use is 0.15%.

Property Tax Supported Bonds. The assessed valuation of property within the City subject to ad valorem taxes includes real property, public utilities property, and tangible personal property. Some general obligation debt may be issued without a vote of the public. The debt cannot be issued unless there are sufficient tax proceeds for the payment of the debt service on the bonds. The estimate for Property Tax Supported Bonds (unvoted bonds) reflects continuance of the City Council policy to maintain a constant property tax millage of 5.36 mills for debt service requirements. This City Council policy establishes the parameters for how much capital financing resources will be available from the issuance of debt. The City is well within the unvoted statutory debt limitation of 5 1/2% of assessed value in the City.

The Property Tax Supported Bonds portion of the general capital resources continues Cincinnati’s long standing policy of no increase

in taxes and replacement of debt service on maturing debt with new debt service requirements. This general policy has enabled the City to institute debt management policies, which enhance credit worthiness. Including the City’s anticipated 2003 general obligation bond issue, 57% of the City’s outstanding general obligation property tax and self-supported debt will be retired by December 31, 2008, while 77% will be retired by December 31, 2013. By December 31, 2023, 95% of the City’s outstanding general obligation property tax and self-supported debt will be retired, with the balance of the outstanding general obligation and self-supporting debt retired by 2035. Credit quality and affordability issues, used by bond rating agencies to determine the City’s bond rating, continue to be positive indicators for the City. The City is rated Aa1 by Moody’s and AA+ by Standard & Poor’s.

Although the City currently utilizes general obligation bonded debt for self-supporting bond issues (such as water works, parking system, and recreational facilities), self-supporting revenue sources have been, and are expected to be, sufficient to pay principal and interest requirements on all self-supported debt.

The City has also issued bonds with debt service to be paid by a portion of the 0.15% income tax earmarked for capital purposes. This strategy has been utilized by the City Council to leverage funds for special projects such as to take advantage of emerging development opportunities. The City uses this strategy sparingly, in order to have funds available for pay-as-you go (cash) projects.

Property Proceeds. The Property Proceeds resource includes proceeds from the sale of property and temporary rents from development sites. The City Council by resolution requires 50% of net rental income and tax increment payments from Fountain Square South and Hyatt/Saks be programmed for the development of market rate housing.

Southern Railway Note Proceeds. Cincinnati owns the Cincinnati Southern Railway and leases its use. In 1987, the City renegotiated the terms of the lease for more favorable annual income. The City Council endorsed a policy by



resolution to dedicate funds generated by the Southern Railway to infrastructure projects. The notes issued and interest income provide a resource for infrastructure projects.

Tax Increment Self-supporting Bonds/Notes.

Tax increment payments in lieu of taxes for property improvements, in accordance with City Council policy, are used for public improvements in the Central Business District (CBD) urban renewal area.

Reprogramming Resources. Reprogramming resources are unused funds recaptured from projects which are completed. The remaining balances are available and recommended for use in new projects.

General Fund Resources. Funds transferred from the General Fund to the Permanent Improvement Fund provide funding for pay-as-you-go capital projects. The 2003-2004 Biennial Capital Budget and the 2003-2008 Capital Investment Program do not include the transfer of resources from the General Fund to support capital projects.

Anthem Demutualization Resources. The 2003-2004 Biennial Capital Budget includes proceeds from the sale of stock received by the City when Anthem, Inc. converted from a mutual insurance company to a stock insurance company.

Special Revenue Funds

Special Housing Permanent Improvement Fund. This fund, which is supported from net rental income and tax increment payments, provides revenue for the New Housing Program administered by the Department of Community Development and Planning. This program supports the development of new market-rate housing in the City.

Matching Capital Funds

The City receives Federal grants, matching funds and also manages State and County funds to improve the City's roads and bridges. The General Aviation Division of the Department of Transportation and Engineering typically receives funding from the Federal Aviation Administration (FAA). The amount of funds

granted by the FAA varies from year to year. Once actual grants are received, the resulting project is budgeted and matching City funds are recommended to the City Council for approval.

Capital Budget - Uses of Funds

General Capital

The General Capital Budget can be stratified into seven expenditure categories. The Project Expenditure Categories include Debt Service Payments, Economic Development, Environment, Equipment, Housing and Neighborhood Development, Infrastructure (Smale Commission), and New Infrastructure. The New Infrastructure category was added for the 1997-1998 Biennial Budget to distinguish new capital improvements from Infrastructure (Smale Commission) projects, which provide for the renovation or replacement of existing City assets. To account for capital projects that are dedicated to the retirement of debt for special projects, the Debt Service Payments category was added for the 2002 Budget Update.

Smale Infrastructure Requirement. In December of 1987, an independent commission headed by John Smale, Chief Executive of Procter and Gamble, completed a study to assess the City's infrastructure and to make recommendations for upgrading the City's physical assets. As a result of the study completed by the Smale Commission, the City Council passed the Infrastructure Income Tax Ordinance (#38-1988). This ordinance requires that the City meet a commitment to appropriate and spend sufficiently for infrastructure or the tax will expire.

The Infrastructure Income Tax portion of the earnings tax is not included as a Capital Budget resource because it is dedicated primarily to infrastructure maintenance, an Operating Budget item. Capital infrastructure expenditures are included with the operating infrastructure expenditures to meet the annual minimum expenditure requirement. This ordinance also provides for annual increases to the minimum expenditure requirement base amount by using the percentage change in the Implicit Price Deflator for the Gross National Product. The



estimated minimum expenditure requirement for 2003 is \$60.1 million.

To assure that the City meets annual expenditure requirements in order to maintain the 0.10% Infrastructure Income Tax, the City budgets more than the required amount as a safeguard against potential delays in capital project implementation.

Expenditure Categories

Debt Service Payments. This category was added during the development of the 2002 Budget Update to account for capital projects that are dedicated to the retirement of debt for special projects.

Economic Development. This category is for new development or improvement projects in the Central Business District, industrial zones, and neighborhood business districts.

Equipment. This category is for equipment purchases such as new computer systems and City fleet replacements.

Environment. This category is for projects that relate to the remediation and/or prevention of environmental problems such as the removal of underground storage tanks and the remediation of old landfills.

Housing and Neighborhood Development. This category is for projects that support housing and development projects in the City's neighborhoods.

Infrastructure (Smale). This category is for projects that provide for the renovation or replacement of existing City assets. This category is the largest expenditure category.

New Infrastructure. This expenditure category was added during the development of the 1997/1998 Biennial General Capital Budget to distinguish between new capital improvements and the Infrastructure (Smale Commission) expenditure category, which includes only the renovation and replacement of existing City assets.

Restricted Capital Funds

Restricted capital funds use revenue generated from user fees or charges from a particular restricted or enterprise activity to support new capital projects and/or improvements to existing assets, which benefit that particular restricted or enterprise activity or service. For example, Stormwater Management Utility revenue generated from service charges is used to make drainage corrections and improvements. These capital drainage correction and improvement projects are funded after Stormwater Management Utility operating and maintenance costs, and debt service requirements are covered. Grants and matching funds the City receives from various Federal, State and County sources are also restricted based on the type of activity or by program guidelines. For example, grant proceeds from the Transportation Efficiency Act for the Twenty-First Century (TEA 21) can only be used for transportation planning related activities.

The **Capital Committee** is a peer group of Department directors, chosen by the City Manager, who review all Department Capital project requests and make funding recommendations. The Executive Budget Committee (EBC) reviews the recommendation of the Capital Committee while the City Manager also consults with the Mayor. Within ten days of receiving a Recommended Budget from the City Manager, the Mayor presents the budget to the City Council for deliberation and approval.

Capital Budget. During this stage for the Capital Budget, City departments make requests for capital projects. These requests include ongoing projects, improvements to existing assets, previously funded phased projects, and new projects. The criteria used in developing the Capital Budget are described below in descending priority sequence: Hazard Elimination, Legal Mandates, Regulatory Compliance, Project Completion, Prevent Failure, Extend Useful Life, Cost-Benefit Justified, and Service Betterment. Please see City of Cincinnati, Approved Biennial Budget, Volume II for detailed information on the City's capital investment program.



Consolidated Plan Budget - Sources of Funds

This Budget provides for a mix of housing, economic development, and human service programs funded with Community Development Block Grant (CDBG) resources, and housing programs and services funded with the HOME Investment Partnership grant, Emergency Shelter Grant (ESG), and Housing Opportunities for Persons with AIDS (HOPWA) grant. The other resource components for the CDBG program are locally generated program income, and the year-end carryover from the recovery of prior year project funds and savings in operating funding.

Community Development Block Grant (CDBG)

The Community Development Block Grant (CDBG) is a formula grant from the Federal Department of Housing and Urban Development (HUD) to local and state governments. The primary objectives of the CDBG program are to provide decent housing, suitable living environment, and economic opportunities principally for persons of low and moderate income, or aid in the prevention or elimination of slums and blight. CDBG funds are flexible resources which can be used for a wide range of programs or projects within a broad framework of eligible activities. Overall, a minimum of 70% of CDBG expenditures must benefit low and moderate-income persons.

HOME Investment Partnerships Program

The HOME Investment Partnerships Program is a formula grant which funds affordable housing programs. HOME funds can be used for acquisition, construction, and moderate or substantial rehabilitation activities which promote affordable rental and ownership housing. They can also be used for tenant-based rental assistance. Cincinnati uses HOME funds primarily for the rehabilitation of rental housing units for low income families, and for homeowner rehabilitation and the promotion of new home ownership opportunities.

Emergency Shelter Grant (ESG)

The Emergency Shelter Grant (ESG) Program is a formula grant which can fund both the capital and non-staff operating needs of emergency shelters and transitional housing for the homeless. Outreach or supportive services for the homeless are also allowable uses of funds. ESG funds are administered by the Department of Community Development and Planning.

Housing for People With AIDS (HOPWA)

The HOPWA formula grant is the result of the number of cases of AIDS within the region reaching a 1,500 case threshold. Funds are received by the City as the central city of a twelve-county, three state region, but must be expended to benefit AIDS patients throughout the region. Funds may be used to assist all forms of housing designed to prevent homelessness of AIDS victims including emergency housing, shared housing arrangements, apartments, single room occupancy dwellings, and community residences. HOPWA funds also may be used to fund services such as health care and mental health services, drug and alcohol abuse treatment and counseling, intensive care, case management, assistance with daily living, and other supportive services. The Department of Community Development and Planning administers the grant.

Consolidated Plan - Uses of Funds

The following sections describe the major expenditure highlights by category for each of the Consolidated Plan grants.

Major Expenditure Highlights by Category - CDBG

Homeowner Services – The approved CDBG budget includes funding for the Emergency Mortgage Assistance program. This program assists homeowners to prevent foreclosures and remain in their homes. The City will take a strong stand to protect the integrity of neighborhoods by working to educate residents on the dangers of predatory lending. The City will coordinate with other agencies and government entities to promote educational seminars, distribute information, and provide



support to organizations who work to address predatory lending practices in our community.

Resident Supportive Services - The Lead Hazard Testing Program which tests residential structures occupied by children identified by the Health Department to have elevated lead levels. This program was previously funded by a federal grant that has expired. The City has received preliminary notification of a \$2,150,658 lead abatement grant award. This grant will support our lead hazard initiative that provides for coordination of lead hazard abatement and testing activities through an inter-departmental task force and certification of renovation contractors to perform lead hazard abatement work.

Neighborhood Revitalization Strategy Areas & City Redevelopment Focus Districts - Funding for New Housing Development and Public Infrastructure as an incentive to help reduce the development and private labor costs of new and rehabilitated housing projects is approved. This activity will become the foundation for strengthening neighborhood business districts, an increase in the provision of supportive public services, new job growth, housing choice, and related neighborhood improvements. If there are no infrastructure needs for a proposed development, the City will provide direct assistance for the construction of housing units. Also, no CDBG funding is provided in 2003 and 2004 for the Rental Rehabilitation Program (RRP), a decrease of \$200,000 from the 2002 Approved Budget. In previous years, CDBG funding for the RRP was used for project delivery costs, such as architectural and inspection services. Due to a change in HOME regulations, those costs will now be paid using HOME funds.

Transitional operating support for the Corporation for Findlay Market (CFFM) is approved. The Corporation will begin to assume day-to-day operations and management of the Market following the completion of the renovation project now under way. This is a new project in 2003.

Building Neighborhood Capacity - Neighborhoods will be strengthened as new and continuing efforts will be made to assist neighborhood-based organizations and to

provide for neighborhood improvements. Increased efforts will be taken to reduce predatory lending practices and to allow for greater housing choice for all citizens. The Millcreek Greenway Restoration Project is redeveloping land along the Mill Creek within the City for parks, recreational areas, and economic development opportunities. For over 20 years, the award winning Neighborhood Gardens Program has cleared lots for reuse to provide low cost food production and cultivated community involvement. Ongoing technical assistance continues to be available to community based organizations.

Small Business Development - As part of the City's focus on small business development, funds from the Small Business Services and Technical Assistance program will be used to support several new small business development initiatives, particularly expert assistance in business marketing. In addition, the City will begin concentrated business recruitment and retention efforts focused in neighborhood business districts through the national Main Street initiative program.

Commercial District Improvements - The following five Neighborhood Business District (NBD) projects are approved: Camp Washington Market Demand Study - \$31,500; Clifton Heights Façade Program - \$210,000; College Hill Parking Project - \$277,725; East Walnut Hills Streetscape/Madison & Woodburn - \$473,550; Walnut Hills/Lincoln Corner Parking - \$7,225. The East Walnut Hills streetscape project will provide public infrastructure improvements (such as improved street lighting, sidewalks, signage, and landscaping) and support the DeSales Plaza development that is proposed to construct more than 40 market rate housing units above new first floor retail space for four neighborhood serving businesses.

Service Facility Improvements - The approved budget includes funding for renovations and improvements of 19 human services facilities, including day care centers, community centers, homeless shelters, food pantries, drug treatment centers, and neighborhood health clinics. Funding requests for human services facilities renovations/improvements are reviewed and

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recommended by the Human Services Advisory Committee.

Workforce Development and Training - The Employment & Training Division is being consolidated into the Department of Community Development and Planning in 2003, and is now called Workforce Development and Training. The focus of this strategy is to build stronger public/private collaborations to provide job opportunities and training for city residents. Amounts of \$253,690 in 2003 and \$254,200 in 2004 are approved for the Job Training and Litter Control program, an increase over the 2002 Approved Budget for this program. This funding will provide for a dramatic increase in the number of lots in targeted neighborhoods that will be cleared of litter and debris. This program is part of the City's coordinated focus on code enforcement activities to clean up neighborhoods.

Program Administration and Debt Service - \$1,000,000 is provided in 2003 and \$957,200 in 2004 for debt service on HUD 108 Loans, an increase over the 2002 Approved Budget. The additional funds are needed as a reserve to support additional HUD 108 Loans of up to \$10 million that will be used as a development financing tool as part of the proposed neighborhood investment program. Additional funds are provided to fund HUD mandated Fair Housing activities and for the development of the 2005-2009 Consolidated Plan.

Expenditure Highlights by Category - HOME

Neighborhood Revitalization Strategy Areas & City Redevelopment Focus Districts - Beginning in 2003, the Deferred Rehab Loans and Lead Abatement Grants will be funded exclusively using HOME funds. Due to increased budget demands and limited resources, the CDBG funds previously used to fund this activity are being reallocated to other activities that are not eligible to use the more restrictive HOME funds. Funds for this program will be used to provide deferred payment rehab loans for low- to moderate-income homeowners, provide lead hazard abatement grants in conjunction with homeowner rehab loans, and provide for the administration of the program by the Homeownership Center of Cincinnati. The Cincinnati Housing Infill & Rehab Program is a

new program that provides gap financing for the construction or rehabilitation of owner-occupied single family houses in the city. Applications for this program are accepted on an ongoing basis for smaller scale (up to 3 units) development projects.

Affordable Housing Development - The Tap & Permit Fee Assistance program pays water permit, sewer tap, utility meter and building permit fees for new single family dwellings constructed by Habitat for Humanity for sale to and occupancy by low- to moderate-income households. The City has provided funding for this program since 1995 using capital funds. Due to limited capital resources and a change in HOME regulations, this program will now be funded exclusively using HOME funds.

Administration - Funding is approved to fund a Property Management Training Program for owners/developers of subsidized housing in the City. This program will train property owners in tenant selection/screening, property maintenance, financial management, fair housing law, marketing, rental agreements, Section 8 voucher requirements, and other legal issues. The purpose of the program will be to address concerns raised by several neighborhoods that have experienced an increase in the number of subsidized housing units over the past few years. Beginning in 2003, funding is provided for HOME project administrative costs. These administrative costs were previously paid using CDBG funds. In order to decrease the burden on the less restrictive CDBG funds and based on changes in HOME regulations, these costs are now being paid using HOME funds.

Expenditure Highlights by Category - Emergency Shelter Grant (ESG)

Operating support for 10 human service agencies that provide programs for adolescent youth, transitional housing, homeless populations, and battered women is approved. Funding requests for human services operating support are reviewed and recommended by the Human Services Advisory Committee. Program funding recommendations for 2004 are preliminary.



Expenditure Highlights by Category - Housing Opportunities for Persons with AIDS (HOPWA)

Five agencies that provide direct housing assistance or housing supportive services for persons with AIDS in the Greater Cincinnati Eligible Metropolitan Statistical Area (EMSA) is approved. The City of Cincinnati is the designated grantee for the administration of HOPWA funds in the EMSA that includes twelve counties in three states (Ohio, Kentucky, Indiana). HUD designates an EMSA based on the number of confirmed AIDS cases in a geographical area. The 2003 funding approvals include an amount of \$10,000 for the Greater Cincinnati AIDS Consortium.

SPECIAL ORGANIZATIONAL REPORTING AUTHORITY

City Boards and Commissions

Three City Departments - Parks, Recreation, and Health - are agencies which report to independent City boards or commissions. Members of the board or commission are appointed by the Mayor and approved by the City Council. The budgets for these three Departments have a special public review process because the Departments present the budget to their public boards for approval before submitting the budget to the City Manager.

Contract Agencies

The City contracts with many private entities to purchase goods and services. Due to their key role in service delivery, three agencies are specifically included in the City's Budget. Two of these City agencies, the Cincinnati Human Relations Commission and the Citizens Committee on Youth, are not-for-profit corporations whose primary mission is to provide public services to the citizens of Cincinnati. Their operations and policies regarding services provided to City residents are determined by a formal contract with the City. The City Council approves City funding to purchase the services of these agencies and authorizes the contracts. The staffs of these agencies are employees of their respective boards and are not City staff.

County-wide Services

Two City agencies with Restricted Fund Budgets, the Regional Computer Center (RCC) and the Department of Sewers, are operated by the City of Cincinnati but serve the entire Hamilton County region. RCC provides computer services for the City, Hamilton County, and local law enforcement agencies. The Department of Sewers manages the Metropolitan Sewer District (MSD) and the City's Stormwater Management Utility.

The Cincinnati Water Works (CWW) provides water to its customers in the City as well as to its customers in various Hamilton County communities and neighboring counties in Ohio. An agreement has also been signed to provide water to Northern Kentucky residents who began receiving their water service from CWW in March, 2003.

2003-2004 BUDGET DEVELOPMENT

Budget Roles and Responsibilities

The *Department Directors and Division Heads* are responsible for setting annual performance goals and objectives for operating programs, and identifying program costs using departmental, financial and budget data sources. They also evaluate their Capital Budget needs and propose capital projects.

The *Department Budget Coordinators* are in charge of preparing the Department's formal budget submission. They are responsible for estimating personnel and non-personnel costs associated for their Department. They interact with their Department Director and the Office of Budget and Evaluation (B&E) Management Analyst throughout the entire budget process.

The *Budget and Evaluation Manager and Senior Management Analysts* in the Office of Budget and Evaluation coordinate the budget process for City departments. Budget and Evaluation presents the Departments' requests and its recommendations to the Executive Budget Committee (EBC). Budget and Evaluation then compiles the City Manager and Mayor's recommendations into Recommended Budget documents for presentation to the City

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Council. Budget and Evaluation Management Analysts are assigned to assist departments in budget development and to analyze budget requests for recommendation to the City Manager, the Mayor, and to the City Council.

The ***Executive Budget Committee (EBC)*** is comprised of the City Manager, the Assistant City Managers, the Finance Director, and the Budget and Evaluation Manager. The EBC reviews the Budget and Evaluation analyses and recommendations regarding the departmental requests to ensure that the preliminary base budgets and exception requests meet City needs and the City Council priorities, while not exceeding forecasted resources for the City. After meeting with the various City agencies requesting funding, the EBC then makes a final recommendation to the City Manager who, in turn, makes an Operating Budget recommendation to the Mayor.

The ***Capital Committee*** is a peer group of department directors, chosen by the City Manager, who review all department capital project requests and make a funding recommendation. The EBC reviews the recommendation of the Capital Committee and, in turn, develops the Capital Budget recommendation which is submitted to the Mayor. The Mayor's Recommended Capital Budget is submitted to the City Council.

The ***Human Services Advisory Committee (HSAC)*** is a citizen advisory group to the City Manager, which reviews, and recommends City funding for human services activities. This includes recommendations for human services operating support in the General Fund. Within the Consolidated Plan Budget, the HSAC reviews the human services component, the homeless housing renovation activities, and the homeless shelter activities funded through the Emergency Shelter Grant (ESG).

The ***Community Development Advisory Board (CDAB)*** is a volunteer citizen's group broadly representative of the community which advises the City Manager on the development of the Consolidated Plan Budget. The CDAB Housing and Economic Development subcommittees each meet to review requests submitted by the departments for funding. The full CDAB considers the recommendations of the

subcommittees and the HSAC and finalizes the recommendations to the City Manager.

The ***HOPWA Advisory Committee (HAC)*** reviews program regulations, a funding distribution plan, and a set of proposed funding guidelines for the Housing Opportunities for Persons with AIDS (HOPWA) grant.

The ***City Manager*** through the Finance Department, assembles estimates of the financial needs and resources of the City for each ensuing year, and prepares a program of activities within the financial resources of the City. They are embodied in a budget document with proper supporting schedules and analyses. The City Manager transmits the Recommended Budget to the Mayor for review and comments.

The ***Mayor*** reviews and comments on the City Manager's recommended budget and formally submits the recommended budget to the City Council.

The ***City Council*** uses the priority goals and strategic planning along with citizen input to modify and approve the Biennial Budget. After the City Council's Finance Committee reviews the proposed budget allocations, program staffing, performance measures, and capital projects in the Recommended Budget, the City Council makes final decisions for a balanced budget, adopts a resolution approving the two-year budget, and passes appropriation ordinances for the first year of the biennium.

Budget Development Process

The City Administration's primary objectives in the budget process are to enhance the City Council's strategic policy development and to improve citizen participation for input to the City Council in budget decision making. Toward that end an improved Community Priority Request process was implemented in 1998 to bring the communities in closer contact with Cincinnati Neighborhood Action Strategy Teams at the earliest possible time in the budget process. The City of Cincinnati's Biennial Budget development is comprised of several stages. A budget calendar and a brief description of the various stages of this biennium's budget process follow.



Budget Calendar

January 2002. The City Council approves the 2003-2004 budget development plan.

February – April 2002. The Community Budget Priorities are identified with citizen input (see *Community Budget Priorities*, this page, for details).

March 2002. The Administration meets with City Council to discuss the formulation of a Policy Budget.

May – June 2002. Operating and Capital Budget Instructions are sent to City departments.

June 2002. The City Council adopts a Policy Budget by Resolution #200205477, which can be found in the Appendix of this document.

July – August 2002. The Finance Department's Office of Budget and Evaluation analyzes requests and makes recommendations to the Executive Budget Committee (operating budget) and the Capital Budget Committee (capital budget).

November – December 2002. The City Council holds Public Budget Hearings to get additional citizen input prior to making its final budgetary decisions.

December 18, 2002. The City Council passed appropriation ordinances establishing the operating and capital budgets for 2003.

December 2003. The City Council passes appropriation ordinances establishing the operating and capital budgets for 2004, after following a similar process as detailed above, except that the Community Priority Request Process is conducted only once during a biennium.

Policy and Education Stage

Community Budget Priorities. City residents had the opportunity to make requests of City departments to include neighborhood proposed or endorsed budget requests. A description of the budget process and how to complete the priorities package was sent to the 52 community councils. Each neighborhood could include up to

five Community Priority Requests for the 2003-2004 biennium which were most important to their immediate community. Neighborhoods also identified existing community resources which would help to implement the desired service or project. Part IV, Performance Measures and Financial Planning, of this document contains a report summary of these Community Priority Requests and an overview of the Cincinnati Neighborhood Action Strategy.

Policy Budget Development Process. On March 20, 2002, the City Council presented a motion, which asked the City Administration to respond to a series of budgetary questions and requests for information in order to address projected budget deficits, and to developing the 2003-2004 Policy Budget Resolution. Departments were asked to: 1) list services provided in order of priority and the budget amounts associated with these services, 2) identify specific services and programs which could be cut from the budget; and 3) report on performance measures used over the last three years and to what extent have performance targets been achieved. The departments were also asked to identify services that were currently contracted out. The City Administration responded to the City Council's motion on May 28, 2002, and on June 26, 2002 the City Council adopted the Policy Budget Resolution. The resolution is included in its entirety in the appendix of this document.

Financial Capacity Stage

Demographic/Economic Trends and Outlook. Forecasting is an integral part of Cincinnati's decision making. In 2002, a six-year forecast of demographic/economic trends was prepared and used to develop the 2003-2004 Biennial Budget. It included an analysis of demographic characteristics and trends, the outlook for the local economy, financial indicators, and City cost drivers. This forecast is explained in further detail in Part V, Financial Summaries, of this document.

Revenue and Expenditure Forecast. Based on the Demographic/Economic Trends and Outlook, revenue and expenditures were estimated and a Tentative Tax Budget was provided to the City Council. The Tentative Tax Budget, which is required by State law, is a



preliminary resource and expenditure forecast for the first year of the biennium. These preliminary assumptions provide a balanced financial framework upon which budget targets can be developed. Targets are a planned expenditure limit that an agency may request for a given budget period. They are established based on past budgets adjusted for inflation, a continuous level of service, and citizen expectations based on what has been done before.

Budget Development Stage

Operating Budget. Based on the City Council's priorities and strategic policy direction, department directors have the responsibility to set annual performance goals and objectives for each operating program and identify program costs using departmental, financial, and budget data sources. Budgets are established for standard line-items within personnel and non-personnel cost categories. The base budget includes operating services, which were currently funded (in the 2001-2002 Biennial Budget). These services are included in the target for each agency. Agencies may also submit budgetary requests in excess of the target amount. They are based on these special criteria: 1) a legal mandate, 2) a substantial workload increase, 3) a directive by the City Council, 4) an improvement in efficiency and service delivery, or 5) a significant return on investment or a unique opportunity for the City.

Capital Budget. During this stage for the Capital Budget, City departments make requests for capital projects. These requests include ongoing projects, improvements to existing assets, previously funded phased projects, and new projects. The criteria used in developing the Capital Budget are described below in descending priority sequence: Hazard Elimination, Legal Mandates, Regulatory Compliance, Project Completion, Prevent Failure, Extend Useful Life, Cost-Benefit Justified, and Service Betterment.

Review/Modification Stage

City Administration Review. The Finance Department's Office of Budget and Evaluation coordinates the budget process for City departments and presents the Departments'

requests and its recommendations to the Executive Budget Committee (EBC). The EBC reviews the departmental requests to ensure that the preliminary base budgets and exception requests meet City needs and the City Council priorities, while not exceeding forecasted resources for the City. The Capital Committee reviews the Departments' 6-year (three biennium) Capital Improvement Plans and submits a recommended budget to the EBC who reviews and modifies the recommendation. Budget and Evaluation compiles the City Manager's recommended budget for transmittal to the Mayor. Upon review and comment, the Mayor submits the recommended budget to the City Council.

Citizen Committee Review. The City utilizes the volunteer time of dedicated citizens to review and make recommendations to the City Manager concerning allocation of the Human Services Policy amount, allocation of the Arts Policy amount, and Consolidated Plan programs (the federally funded Community Development Block Grant, HOME program, Emergency Shelter Grant, and HOPWA).

Budget Adoption Stage

Mayor and the City Council Budget Decision Making. After the Mayor's review and comments, the Recommended Budget was presented to the City Council on December 5, 2002. The Finance Committee of the City Council reviewed the proposed budget allocations, and program staffing. The budget included updated resource forecasts for all funds with recommendations to balance the budget decision items as requested by the City Council. The City Council made its final decisions for a balanced budget, adopted a resolution approving the two-year budget, and passed appropriation ordinances for the first year of the biennium on December 18, 2002.

Public Budget Hearings. After the Recommended Biennial Budget was presented, the Finance Committee held three public hearings and deliberated the budget. The City Council held one public hearing in City Hall and two in neighborhood locations. During the Public Budget Hearings the biennial budget highlights were presented to the public. Public



comment was then taken on the Capital, Operating, and Consolidated Plan budgets. Based on citizen input, the City Council made a series of reallocations of funds to new and existing programs. A summary of these reallocations can be found on pages 10 and 11 of this document.

Biennial Budget Adoption. Although this document presents a two-year budget, Ohio statute requires an annual appropriation. Therefore, only the 2003 fiscal year budget has been adopted by the City Council. A review of the 2004 fiscal year budget is planned for the summer/fall of 2003, followed by a formal adoption and appropriation ordinances in December 2003.

Implementation Stage

Budget Control. Departments are accountable for budgetary control throughout the fiscal year. Every year the City performs a Budget Monitoring process, where expenditure patterns are compared to departments' expenditure estimates. In addition, a Budget Status Report process is initiated in the fall of each year, which involves the reporting of the department's actual revenue, expenditure, and fund balance performance to the Office of Budget and Evaluation. In compliance with State law, Budget and Evaluation then prepares a Final Adjustment Ordinance, which balances each fund account at year's end.

Budget Amendments. In some cases, amendments to the Budgets may be proposed. Generally, amendments are proposed due to a change in plans or special circumstances such as unusual weather conditions (floods, tornadoes, record snowfalls, etc.). The City's Operating Budget is approved at the Department level, and the Capital Improvement Plan is adopted at the project level. Any transfers between Departments or projects require an amendment process. For appropriated funds the amendment must be prepared in the form of a supplemental or transfer appropriation ordinance recommended by the City Manager for adoption by the City Council. For non-appropriated funds the amendment must be a written memo for administrative approval of the City Manager.



BUDGET AND FINANCIAL POLICIES: POLICY BUDGET

The development of the City's Budget and Financial Policies is a dynamic ongoing process where policies are implemented to assist in the decision-making of the organization. These policies provide guidelines for short- and long-range planning of major goals and objectives, and the analysis, evaluation, and reporting of financial activities. The overall mission in setting Budget and Financial Policies is to give management the tools necessary to improve the financial condition of the City for its citizens and other stakeholders.

Budget Development Principles

The biennial budget development process emphasizes budget policy review, budget education, and citizen involvement. The following principles guide the development of the City's Biennial Budget:

- ◆ The City will annually balance the budget;
- ◆ The City government encourages citizen participation in budget development;
- ◆ The City government strives to achieve the highest quality of life; for citizens in safe, livable neighborhoods and a safe, vibrant downtown through the budget;
- ◆ The City government reflects efficiency and effectiveness in service delivery, asset maintenance, and capital improvements in the budget; and
- ◆ The City government at all times emphasizes sound financial planning and management.

Budget Development Policies

The overall intent of the City Council is to encourage development of a budget that will make the City organization smaller and more efficient, while allowing additional investments for infrastructure maintenance, neighborhood investment, capital investment, and economic development. To address these issues, the City Council adopted its City of Cincinnati Policy Budget Resolution, which provided the City Manager with a list of budget initiatives to develop the 2003-2004 Budget. This resolution can be found in the Appendix of this document. Other budget development policies are as follows:

- ◆ Infrastructure (ongoing) Maintenance. To insure commitment to maintaining the City's infrastructure, the capital budget should provide adequate funding for infrastructure and other ongoing maintenance with special emphasis on streets, city facilities, especially recreation facilities and city fleet. Specifically, the biennial budget should include sufficient funds to perform more than 100 lane miles of street rehabilitation work annually;
- ◆ The City encourages competition for the allocation of City funds. To this end, the City commits to the continued use of the following allocation processes at their full funding levels: a. Cincinnati Neighborhood Business Districts United (CNBDU); b. Arts Allocation Committee; c. Human Services Advisory Committee; d. Community Development Advisory Board; e. Housing Development Round;
- ◆ The City Administration prepares a Budget Monitoring report to provide the City Council with the status of the City's Budget as of mid-year, to note any significant variances, and to provide related recommendations;



- ◆ A Sunset Review is conducted each year for the Capital and Consolidated Plan Budgets to recapture unused funds from departments and make them available for other budget priorities;
- ◆ The City maintains a Working Capital Reserve to assure a strong financial position and to protect the City's general obligation bond rating during periods of fiscal stress. The policy calls for achievement of a minimum reserve level, for emergency needs of a catastrophic nature, of no less than 5% nor more than 8.0% of general operating revenues by the end of the year;
- ◆ The City's Capital Budget describes if and to what extent capital spending will increase operating budget costs for current and future periods;
- ◆ During the Capital Budget Process, the City reviews City physical assets and suggests facilities for consolidation. The capital budget process will not include the net addition of facilities to the city inventory;
- ◆ Contingency Account Policies. The City budget will include a contingency account primarily reserved for emergencies. It is the intent to not utilize the unappropriated surplus to fund projects off-budget;
- ◆ Performance Measures. The City Manager will continue the development of performance measures for each department. Consideration should be given to greater use of measures that will result in a more efficient government; and
- ◆ The City maintains its infrastructure assets in order to meet the Smale Commission mandates for the repair, upkeep, and improvements of City streets, bridges, parks, recreation areas, and buildings. An income tax rate of 0.1% is imposed annually on earned income for this purpose.

Revenue Policies

- ◆ The City Council levies taxes or fees as specified in the City Charter, or as authorized under the laws of the State of Ohio, to generate revenue for service delivery and capital improvement purposes;
- ◆ The Biennial Budget is developed based on the current income tax and property tax structure in the City of Cincinnati;
- ◆ Income Tax - The City Income Tax is 2.1% of earnings by residents, non-residents who work in the City, and corporations located in the City. It is subdivided into four components: 1.55% for General Fund operating purposes, 0.3% for public transit, 0.15% for permanent improvements (capital) and 0.10% for maintenance of the City's infrastructure. The biennial budget assumes no additional income tax credits or deductions other than those currently allowed;
- ◆ Property Tax - City property taxes total 10.63 per \$1,000 of assessed value. Property tax is subdivided into two components: 5.27 mills for General Fund operating purposes, and 5.36 mills for debt requirements of the Capital Improvement Program;
- ◆ Intergovernmental revenues are sought from State, Federal, and other sources. However, the City is not obligated to continue financial support for non-City funded programs and projects after non-City funding has lapsed, except as agreed to as a condition of acceptance of intergovernmental revenues;
- ◆ The City ensures revenue collection through efficient collection systems; and

Budget Basics



- ◆ The City allocates additional funding of up to \$3,000,000 from the annual income tax revenue in excess of estimate (which is deposited into the Permanent Improvement Fund) for street rehabilitation in the following fiscal year.

Expenditure Policies

- ◆ The Human Services policy of allocating 1.5% of the General Fund resources for basic social services will be maintained in the approved budget.
- ◆ The City will designate 0.14% of its General Operating Budget for the support of the arts.
- ◆ Five percent of reimbursements from overpayments to Workers' Compensation will be spent on employee safety programs.
- ◆ Once the budget is approved by the City Council, Council may not enact any additional spending unless it at the same time enacts offsetting expenditure reductions or identifies new revenue sources.
- ◆ Assure that the City's Health Clinics and other primary health care programs are fully funded.
- ◆ Assure that all parks and recreation facilities will remain open and operating at continuation levels.
- ◆ The commitment of \$5 million for 20 years to the Cincinnati Public Schools (CPS) for facility improvements will continue in the biennium.
- ◆ For appropriation and expenditure control purposes, budgeted expenditure classifications which may not be exceeded are personnel service, non-personnel service, capital outlay, and debt service. The City Council must approve revisions of or transfers between expenditure classifications.

Operating Budget Policies

- ◆ The City prepares a General Fund Six-Year Forecast every two years, which will provide estimates of income tax and property tax revenue changes and expenditure changes for the forecast period. Explanations of revenue and expenditure assumptions will also be included in the forecast.
- ◆ The City prepares Final Adjustment Transfer Ordinances for General Fund and Restricted Fund accounts each year for the purpose of realigning accounts and providing funds for the on-going needs of City departments, and to ensure that all departments have balanced budgets by year-end.
- ◆ Targets are established for Operating Budget expenditures that reflect adjustments for program changes, increases in salaries and wages, increases in non-personnel services for inflation, and subject to growth caps. Budgetary requests in excess of the target amounts are considered exceptions and must meet one of the following criteria: legal mandates, City Council mandates, and City Manager initiatives.

Capital Budget Policies

In addition to other review considerations, the criterion listed below is used in developing the Capital Budget. A Capital Budget is for the improvement, construction, or purchase of City assets that cost \$10,000 or more and last at least 5 years. The criteria in descending order are as follows:

- ◆ Hazard elimination: to eliminate or reduce definite and immediate (i.e., within the Biennium) health and safety hazards;



- ◆ Legal mandates: to comply with statutory requirements, a court order, or other specific legal directive (consent decree, etc.);
- ◆ Regulatory compliance: to comply with a Federal, State, or local rule or regulation affecting capital assets;
- ◆ Project completion: to finish phased projects with related and already committed or expanded funding;
- ◆ Preserve existing assets: to systematically, according to schedule, improve assets, which if not periodically improved would fail, and to improve an asset by making a capital investment to increase the assets service life;
- ◆ Cost-Benefit justified: to make a capital investment that is supported by benefits equal to or greater than the cost of the investment (e.g., benefits may be in jobs, revenue, operating cost savings, matching funds, etc.); and,
- ◆ Service betterment: to accommodate growth in service demand, or to otherwise increase the quality of service provided by the capital asset.

Debt Service Policies

- ◆ The City will issue bonds for capital improvements and not for recurring operating expenditures.
- ◆ The City publishes an Official Statement for each bond issue in accordance with rules promulgated by the Security and Exchange Commission.
- ◆ The City fulfills all obligations for secondary market disclosure to keep bond market participants informed of significant financial activities of the City.
- ◆ The City utilizes property tax proceeds to support debt service payments on bonds and notes. It also levies taxes on property based on debt limitations in the Ohio Revised Code and the City Charter as follows:

As a result of a prior Court decision, the City has the right to levy property taxes without limitation to support its lawfully issued bonds and notes, and the City's ability to incur debt will be limited only by the arithmetical (percentage) limitations set forth under Section 133.03 of the Ohio Revised Code. The City's long-standing policy has been to maintain a tax millage of 5.36 mills for debt service requirements;

Section 133.03 of the Ohio Revised Code provides that the principal amount of both voted and unvoted debt of the City may not exceed 10.5% of the City's assessed valuation, and that the principal amount of unvoted debt may not exceed 5.5% of the City's assessed valuation. The Code also provides several exemptions of debt from the 5.5% and 10.5% limitations; and,

The City retires over 85% of outstanding debt within 10 years;

- ◆ The City strives to maintain the City's bond rating in financial markets. The City is rated Aa1 by Moody's and AA+ by Standard & Poor's.



Investment Policies

- ◆ The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio in accordance with State and Federal law. Accordingly, deposits are either insured by federal depository insurance or collateralized.

Accounting, Auditing, and Financial Policies

- ◆ The financial statements of the City of Cincinnati are prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). These standards include the effective pronouncements of the National Council on Governmental Accounting and the American Institute of Certified Public Accountants that are considered to be generally accepted accounting principles for state and local entities.
- ◆ The City performs periodic financial, program and contract internal audits to insure departmental compliance of City policies and to improve the overall operating efficiency of the organization.
- ◆ An independent audit is performed annually to render an opinion on the City's general-purpose financial statements.
- ◆ A Comparative Statement of Revenue and Expenditure is presented to the City Council monthly.



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